

**UNEMPLOYMENT
INSURANCE
AGENCY**

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Obligation Assessment

In 2011, the State of Michigan issued bonds to repay federal loans for unemployment benefits and restore solvency to the Unemployment Trust Fund. These bonds will be repaid by Obligation Assessments issued to employers.

Who has to pay the Bond Obligation Assessment (OA)?

The OA will be assessed on all contributing employers until the bonds are repaid.

How long will this be in effect?

The bonds are scheduled to take 10 years to repay. The OA rate will be determined yearly and included on the annual Tax Rate Determination.

How will the Obligation Assessment be billed?

It will not be billed; however, it will be included as a part of the annual tax rate determination.

Why was it included on the tax rate statement?

It was determined that it would be easier for employers if the OA was a percentage factor added to the annual tax rate. An employer will multiply their taxable wages, quarterly, by their total tax rate (which includes the Obligation Assessment). By doing it in this manner, it permits an employer to pay the assessment based on the allocation of the wages paid to his employees, instead of a lump sum payment.

Will the Obligation Assessment be the same for all employers or a percentage factor of an employer's experience?

One of the components of the OA is based on the employer's individual tax rate; therefore, the amount will vary.

Will it be credited to an employer's experience account?

No, similar to the solvency tax, interest and penalty charges, it is not credited to an employer's experience account.

How is it calculated?

The OA is structured to incorporate the employer's experience rate and a base assessment of \$42 per employee for 2012, and is currently estimated at \$63 for 2013 and beyond. The calculation of the OA takes into consideration the employer's current tax rate, the OA ratio, a base assessment, and the taxable wage base. The OA ratio for 2012 is 0.080671, the base assessment is \$42.00 and the taxable wage base is \$9,500.00. The formula is:

$$(2012 \text{ tax rate} \times \text{OA ratio}) + (\text{base assessment} \div \text{taxable wage base})$$

Note: The 2011 tax rates were used by the State Treasurer to set the Obligation Assessment rates for the year. When calculating your individual OA rate, you would use the tax rate that is shown on your 2012 tax rate determination form.

For Example:

$$2012 \text{ tax rate} = 2.4\% = 0.0240$$

$$\$42.00 \div \$9,500.00$$

$$.001936 + .004421 = .006357$$

$$2012 \text{ Obligation Assessment} =$$

$$0.0240 \times 0.080671 = .001936$$

$$= .004421$$

$$\times 100 = .635 \text{ Rounded} = .64$$

$$0.64 \text{ added to calculated } 2012 \text{ tax rate}$$

If you would like to verify the OA, click on:

http://www.michigan.gov/uia/0,4680,7-118-26898_27193_60127-270759--,00.html.

Enter the tax rate from the "Your Computed Rate" field located on your Form UIA 1771, Tax Rate Determination for Calendar Year 2012, and the calculator will display the correct Obligation Assessment amount.

How is the Obligation Assessment Ratio (OAR) determined?

For the 2012 tax year, the State Treasurer, in consultation with the Director of LARA, has set the OAR. For 2013, and after, the OAR will be set by the State Treasurer & the Director of LARA on or before November 20th of each tax year.

Can you explain the formula used?

- **2012 tax rate** – The tax rate issued on the 2012 tax rate determination.
- **Obligation Assessment Ratio (OA Ratio)** – The OA Ratio is used to calculate the experience based cost of the Obligation Assessment Rate. The formula for the OA Ratio is as follows:

$$\frac{\text{Principal, interest, and administrative expenses due on 2012 bonds}}{\text{Anticipated regular UI revenue from contributing employers due in 2012}} = \text{OA Ratio}$$

- **Base Assessment** – The base assessment is a flat rate that is assessed to all covered employees.
- **Taxable Wage Base** – The taxable wage base is the maximum amount of wages paid to an employee by an employer that are subject to Unemployment Insurance taxes.

Is the Bond (OA) appealable?

No, this is not an UI Tax assessment determination; therefore, it cannot be protested or appealed. It is a statutory amendment to the Michigan Employment Security (MES) Act.

If I receive a redetermination, will the Obligation Assessment change?

Yes. Since the tax rate is a part of the formula to determine the obligation assessment, any circumstance that would cause the employer's 2012 tax rate to change will also change the OA rate for 2012.

EWAM and Tax Rates with the Obligation Assessment

If an employer checks their 2012 rate on EWAM, they will not be able to see the reason their tax rate has increased. In EWAM, the rate components and the obligation assessment are not defined. Only the total tax rate is displayed. Every employer was mailed their Tax Rate Determination, a letter informing employers about the Obligation Assessment (OA) and an Obligation Assessment Rate worksheet which explains how the OA was calculated. Please refer to the above-mentioned documents if further explanation is needed after checking EWAM.

Tax Rates:

Year	Rate
2012	00.51 %
2011	00.06 %
2010	00.06 %
2009	00.06 %
2008	00.06 %
2007	00.06 %
2006	00.06 %

For more information about the Obligation Assessment, employers may call the UIA Office of Employer Ombudsman (OEO) at either 1-855-484-2636 (4-UIA/OEO) or 1-313-456-2300, or email OEO@michigan.gov.

LARA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.



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